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DOCKET NO. 51812

ISSUE RELATED TO THE STATE OF DISASTER FOR THE FEBRUARY 2021 WINTER WEATHER EVENT	§ § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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**ENEL NORTH AMERICA, INC.'s MOTION FOR REHEARING AND  
RECONSIDERATION**

COMES NOW, Enel North America, Inc. ("ENA") and requests, pursuant to 16 TAC § 22.264 and Tex. Gov. Code §§ 2001.144-146, that the Public Utility Commission ("PUC" or "Commission") rehear and reconsider the PUC Orders issued on February 15 and 16, 2021 (the "Orders") during the severe winter weather event in Texas on February 14-19, 2021 ("Winter Weather Event").

ENA is requesting that the PUC order the Electric Reliability Council of Texas ("ERCOT") to recalculate the market prices reached during the Winter Weather Period to reflect actual conditions of scarcity, market signals, and generation availability, and remove the extraordinary price adders implemented by ERCOT, pursuant to the PUC Orders. The requested relief would apply to the price of electricity on the real-time ("RTM") and day-ahead markets ("DAM") as set administratively for all intervals during the Winter Weather Event and is intended to be inclusive of all pricing for electricity, ancillary services, uplift costs, and any and all other charges that may be assessed to market participants as a result of ERCOT's implementation of scarcity pricing measures, which resulted in electricity being priced at the offer cap of \$9,000 per MWh. The requested relief is limited in time and scope and will protect market participants from exposure to unanticipated and extreme market pricing events that could cause additional short pay situations or defaults that will be borne by all remaining market participants. ENA further asks that the

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Commission suspend ERCOT Protocol 9.6(2) while pursuing this market re-settlement, so as not to induce the above-mentioned scenario.

ENA urges that the Commission immediately take action to delay resolution of ERCOT Settlement Invoices (ERCOT Nodal Protocol 9.6(2)) while resettlement is taking place. The Commission **must** take action immediately or the competitive market could sustain irreparable damage. Once settlement occurs at the administratively established prices in ERCOT, it could cause parties to default on their obligations and cause reallocation of costs to remaining market participants and potentially, additional resulting defaults. Further, once settlement occurs, it will be exceedingly difficult to correct the flow of settlement dollars in ERCOT. Fixing these errors over time will not be sufficient to prevent significant irrevocable harm to the market and its participants in the near term.

## **I. BACKGROUND**

ENA, through subsidiaries, operates in the ERCOT market in various capacities.

On February 15, 2021, the Commission issued an Order in Docket No. 51617 directing ERCOT to ensure that firm load shed, as a result of an energy emergency alert (EEA) 3 event, is being accounted for in ERCOT's scarcity pricing signals. The February 15<sup>th</sup> Order was modified by another PUC Order issued on February 16, 2021 that removed any retroactive application of the pricing order and changed the peaker net margin (PNM) calculation. The Orders exceeded the PUC's authority and the result of these Orders, as it relates to scarcity pricing, was to raise electricity prices to the offer cap, \$9,000/MWh. Both ERCOT and the Commission testified in legislative hearings that this step was necessary to prevent generation from coming offline. However, it is unclear if it was necessary for prices to rise from the level at which they were clearing, at about \$1,900/MWh, to the offer cap, in order to induce additional generation or the

extent to which the maintenance of the pricing order until February 19<sup>th</sup> was necessary or effective. Up until that point, market clearing prices in ERCOT were determined by the auction model, which is intended to clear bids from load serving entities and offers from generators. Prior to the Orders, which increased electricity prices, the real time market was clearing, with generators recovering costs, at about \$1,900/MWh.

ENA requests that the Commission to rehear and reconsider the Orders and direct ERCOT to calculate the electricity prices from the February 15<sup>th</sup> to February 19<sup>th</sup>, absent the administrative adders implemented pursuant to the Commission Orders. While ENA fully appreciates the extreme conditions under which the ERCOT system was operating, it is unclear if the pricing orders protected the grid or resulted in additional generating capabilities. Rather, as a result of the Orders, the ERCOT region was subject to HCAP pricing for a sustained period, contrary to 16 Tex. Admin. Code 25.505(g)(6), which is intended to limit HCAP pricing to no more than approximately 35 hours per year. Further, the Low System-Wide Offer Cap (LCAP) also failed due to a sustained price in natural gas prices and reliance on the WAHA hub index. Consequently, the Orders served to significantly increase the overall cost of providing electricity service for an extended period of time without incentivizing additional generation, due to the freezing conditions many generators faced. This created a threat to the financial viability of ERCOT's market participants, ERCOT's ability to pay suppliers, and ultimately, the consumers of Texas.

Of additional concern, ERCOT Protocols directed that, in the event ERCOT is not paid or short-paid by market participants, the amount of delinquent payments will be "uplifted" to the remaining market participants through periodic charges on their invoices. This is likely to exacerbate an already critical situation given that at least one major cooperative has entered bankruptcy as a result of the Winter Weather Event. The burden of paying uplift of other market

participant's debts to ERCOT that are based on the administratively determined prices during the Event may prove intolerable for many market participants.

The requirement to pay the invoices immediately while disputing the charges through a comparatively lengthy process is also damaging to the market. On Monday, March 8, 2021, ERCOT issued a notice to the market indicating that it had been short-paid approximately \$2.481 billion for invoices owed. The shortfalls will be reallocated to other market participants in proportion to their share of the market. It is unclear how this reallocation to the market participants will affect their ability to pay. For this reason, ENA asks the Commission to direct ERCOT to suspend its settlement of the market until the repricing occurs.

## **II. REQUEST FOR RELIEF**

ENA recognizes and appreciates the efforts by the Commission, ERCOT, and market participants during this weather emergency. ENA requests, pursuant to 16 TAC § 22.264 and Tex. Gov. Code §§ 2001.144-146, that the Commission rehear and reconsider the Orders and immediately order ERCOT to reprice the DAM and RTM prices to what they would have cleared at, but for the issuance of the Commissions February 15<sup>th</sup> and 16<sup>th</sup> Orders. The Orders exceeded the PUC's authority and ENA, along with other market participants, will be unfairly prejudiced if prices in the market during the Winter Storm Event are not corrected. While the repricing is occurring, ENA also respectfully requests that the Commission direct ERCOT to suspend its Nodal Protocol 9.6(2).

The Commission has authority to directly grant this relief, and the Commission has granted waiver of ERCOT Nodal Protocols in other instances where there is good cause to do so. Good cause exists here to grant ENA's requested relief. ENA's requested relief is limited in scope and addresses an immediate, concrete problem related to emergency circumstances.

### III. CONCLUSION

WHEREFORE, PREMISES CONSIDERED, ENA urges the Commission to immediately grant ENA relief by rehearing and reconsidering the Orders and then ordering ERCOT to recalculate the administratively determined pricing for electricity during the Winter Weather Event and to suspend ERCOT Protocol 9.6(2) which requires the payment of invoices related to the settlement of accounts. It is imperative that these steps be taken to avoid, or at least help mitigate, the potential financial impact to ENA, its customers and other market participants.

Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document was served on all parties by email on the 12<sup>th</sup> day of March 2021.

/s/ Andres Medrano  
Andres Medrano